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TAGS: [ECON](#) [PREL](#) [ETRD](#) [PGOV](#) [EAGR](#) [JA](#)
SUBJECT: DEPUTY FM OTABE ON NEW BILATERAL DIALOGUE
FRAMEWORK, ECONOMIC RELATIONS OUTLOOK

REF: A. TOKYO 157
[1](#)B. TOKYO 187
[1](#)C. TOKYO 189

Classified By: Charge d'Affaires, a.i. James Zumwalt for reasons 1.4 b/
d.

Summary -----

[1](#)1. (C) Discussing the experts' report released and briefed to FM Nakasone on the future of U.S./Japan economic relations, Deputy Foreign Minister Yoichi Otabe called the study "frank and forthcoming" and favorably received by the Minister. Otabe said the report was able to make a number of recommendations on agricultural liberalization and noted GOJ agricultural policies have kept Japan from playing the role it should in trade matters. Talking further on future bilateral economic relations, Otabe listed climate change and energy security, development assistance, and APEC as areas of potential cooperation. Emboffs urged greater bilateral discussion of food security and noted the need to move on those outstanding issues such as beef, rice, and pharmaceuticals/medical appliances approvals. Discussion of the auto sector is reported in ref C. End summary.

A "Frank and Forthcoming" Report -----

[1](#)2. (C) Meeting January 27 with the Charge, EMIN, and Econoffs, Deputy Foreign Minister Yoichi Otabe, accompanied by other MOFA officials (see para 10) described as "frank and forthcoming" a recently released "eminent persons'" report on the future of U.S.-Japan economic relations (refs A and B). Otabe had organized the study group and report in an effort to foster thinking within MOFA and the GOJ on how to engage the U.S. on economic issues under the new Administration. Otabe said Foreign Minister Nakasone had liked the resulting report as well when Otabe and the group briefed him on it January 23. Pleased with what the report said about Japanese agricultural interests and policies keeping Japan from playing the role it should in international trade policy issues and in new regional trade arrangements such as TTP, Otabe admitted the report could not have been written if it had been an inter-agency project; its agricultural discussion was simply too sensitive.

13. (C) Regarding complaints from METI that they had not been sufficiently included in the panel's work, Otabe noted a former METI vice minister as well as a former vice minister from the Finance Ministry had been members of the group and suggested they had reached back to former colleagues in those ministries. Otabe recalled the Foreign Ministry had done a similar study at the start of the first Bush Administration, but the Ministry of Economy, Trade, and Industry had done a competing report. Otabe had sought to avoid a recurrence of that situation by including the former vice ministers. (Note: As reported in ref B, METI officials disagree and feel the level of engagement Otabe devised was inadequate. End note.)

14. (C) At the same time, Otabe was frank in saying MOFA had decided not to include a representative with ties to the Ministry of Agriculture, Forestry, and Fisheries (MAFF). Had MOFA done so, the report would not have been so critical of GOJ agricultural policies. Nor did the group have representation from the Ministry of Health, Labor, and Welfare (MHLW), which, Otabe said, is sometimes more obstinate on the health-related aspects of agricultural policy than MAFF.

15. (C) Otabe agreed with the Charge there are areas, such as global food safety and cross-border agricultural supply chains, where opportunities exist to strengthen our cooperation on agricultural issues. By and large, we have moved beyond the frictions that characterized U.S./Japan relations 16 years ago, Otabe said. While generally agreeing with that assessment, EMIN noted there continue to be issues such as beef that need to be addressed and it might be best for Japan to work with us now, in the early days of the new

Administration, to underline the new tone in our bilateral economic relations. Otabe said when discussions move into agricultural trade, it becomes contentious. Such discussions, he continued, would have to wait until after Japan's next general election.

Climate Change and Energy Security, Development Assistance

16. (C) Without agricultural representation in the group, the most difficult topic had been emissions trading, with Takatoshi Ito, Tokyo University Professor and former Council on Economic and Fiscal Policy member, facing off against the Japan Business Federation's Kazuyuki Kinbara. Otabe set aside the internal discussions, however, and said he believes energy security and climate change are an area ripe for strategic cooperation between the U.S. and Japan.

17. (C) Otabe outlined three elements that would form the basis for U.S.-Japan strategic cooperation in the run-up to the COP 15 in Copenhagen. First, he explained, Japan and the U.S. are more realistic than the EU and many of its members in approaching climate change and energy security issues. An achievable goal has to be articulated if there will be success in Copenhagen, and that would most likely come from the U.S. or Japan. Second, only the U.S. and Japan have been increasing their research and development budgets in energy technologies and climate change-related work, giving the two countries a technological leadership edge. Third, it is the U.S. and Japan that are in a position to influence key emerging market countries such as China and Brazil.

18. (C) Similarly, Otabe characterized U.S. and Japanese development assistance philosophy as more similar to each other than they are to EU ideas. He noted Japan and the U.S. had agreed during the Bush Administration to give more aid to Africa. Pursuing that work, he continued, is becoming even more important, given China's increasing involvement on the continent.

APEC

19. (C) Otabe agreed the back-to-back 2010 and 2011 Japanese and U.S. APEC chairmanships present great opportunities for progress in the forum and in further integrating the region,

and he highlighted steps he would like to see. On security, Otabe said the key question is how to use the ASEAN Regional Forum better so that it is not seen as merely a talkshop. On economics, he noted the deep involvement President Clinton had in the start of the APEC leaders' meeting and thought Secretary Clinton also would be keenly interested. Revitalizing the institution and fostering regional liberalization, however, would depend on both countries' efforts. As he said, "APEC doesn't make much sense without an active U.S. presence."

Other Attendees

¶10. (SBU) MOFA Economic Affairs Deputy Director General Masato Takaoka, Economic Partnership Division Director Shinichi Hosono, and Second North America Division Director Noriyuki Shikata accompanied DFM Otabe.
ZUMWALT